

Trends Affecting Indiana Downtowns

Trends Affecting Indiana's Economy

Indiana's downtowns are affected by local, state, and national economic trends. Employment in other economic sectors provides income to businesses and residents that can be spent on downtown goods and services. Consequently, it is important for downtowns to understand what is happening in the larger economy.

Paralleling national trends, manufacturing in Indiana continues to decline while employment in the service sector increases. Historically, manufacturing wages were among the highest in a local community. Service sector wages do not reach those levels, and Indiana has yet to find a replacement industry that does. For downtowns, this means that disposable income may not be as strong as in the past, since consumers have less to spend. Couple this trend with the national recession and you see why retailers across the nation are hoping that consumer confidence returns soon.

Whether small or large, downtowns across the state are seeing the effects of continued suburbanization. While some downtown housing specialty markets are booming, most residential development is occurring far from city centers, especially in more urban areas. Although small towns in the path of suburbanization may benefit from this trend, the majority of commercial activity continues to move to the suburbs away from downtown, especially in areas with competitive suburban markets.

Indiana, as with the nation, is growing increasingly diverse as new cultural groups migrate to most areas of the state. This trend offers new market opportunities for downtowns who want to reposition themselves and take advantage of these changing demographics.

Economic Activity Highlights in Indiana's Metropolitan Statistical Areas (MSAs)

Indiana Business Review,
Outlook 2002

Anderson MSA: Growth in the retail and service sectors will outpace the declining manufacturing sector.

Bloomington MSA: Despite layoffs and plant closings, unemployment remains low. Steady growth in the service sector stabilizes the economy.

Columbus MSA: The economy continues to be fueled by a growing population, diverse mix of businesses, low unemployment and low energy prices.

Evansville MSA: The Economic Index shows continued economic expansion.

Fort Wayne MSA: Hit hard by manufacturing declines, Fort Wayne is likely to make a tepid recovery.

Gary MSA: Uncertainty in the steel industry and in manufacturing remains a key factor in economic decline. Service employment continues to increase, while retail employment remains slower than usual.

Indianapolis MSA: Growth in many industry sectors means the Indy metro area will not be set back by the recession as are other parts of the state.

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Trends Affecting Downtown Development

According to the National Main Street Center, communities should be aware of five economic trends on the downtown development landscape.

Growth of development interest in downtowns and cities

National chains, having saturated suburban markets, are developing new smaller formats appropriate to downtowns and neighborhood business districts. Look for these new formats in the stronger downtown markets across the state as development interests search for market potential.

Based upon their market analysis data, Indiana Main Streets in metropolitan areas and regional commercial centers could take advantage of this trend by recruiting targeted chains.

Decline of enclosed mall and rise of the town center

As their anchors leave, enclosed malls are fighting to reposition themselves and avoid closure by introducing non-retail uses. In some cases these tactics may be unsuccessful since over 300 smaller mall developments close per year in the face of super-regional mall and town center development.

Town centers, new development styles built to resemble pedestrian scale shopping, are an increasing development trend. Downtowns should be wary of these new developments since they position themselves to look like most downtown districts.

Indiana Main Street communities in suburbanizing areas or regional centers should keep watch on town center developments and their likely negative impacts on the downtown retail sector.

Kokomo MSA: Declines in manufacturing keep the area in a wait-and-see mood for consumer spending.

Lafayette MSA: Continuing strong numbers demonstrate its economic vitality.

Muncie MSA: A tight labor market, favorable economic mix, and stability in the services sector will shield the area from the worst of the recession.

New Albany/Louisville MSA: Retail sales leveled off during 2001, yet major retail chain expansions mean the retail sector will experience substantial growth over the next few years.

Richmond/Connersville/New Castle MSA:
The area shows a mixed economic picture, manufacturing continues to decline, services hold steady, and the housing market bucks downward trends.

South Bend/Mishawaka & Elkhart/Goshen MSA:
Although both economies have performed well since 1994, recent data suggest both are slowing down as manufacturing production declines.

Terre Haute MSA:
Declining job numbers and low population growth may mean that effects of the recession will be more severe than in other parts of the state.

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Downtown catalyst development trend

The trend toward finding the next big downtown project that will serve as a catalyst to redevelopment efforts can be seen right now in larger cities. Downtown catalyst projects should be partnered with a mix of strategies and actions and should not be seen as a silver bullet that will save the downtown.

Indiana Main Street communities should identify sites or projects that could be catalysts for redevelopment and integrate these ideas into a total revitalization plan for downtown. Revitalization efforts should not depend on any one project but a blend of projects that improve both the physical and economic landscape.

Housing growth

Market interest in downtown housing is increasing, even in smaller towns and areas without a historic downtown residential component. At least two demographic groups are fueling this trend: retirees giving up their suburban lifestyle and younger professionals who have not started families.

Indiana Main Street communities need to research whether they can take advantage of this trend. In communities with a broad mix of downtown retail, services, culture and entertainment, and that have significant number of retirees or young professionals, second story redevelopment may be a logical step. In communities with little downtown resident support services and a weaker population base, the market may not be ready for second story residential development.

Smart growth initiatives

According to the National Trust for Historic Preservation, smart growth initiatives in many downtown communities across the country are

Highlights from the 2002 National Main Street Trends Survey

National Main Street Center

370 communities reported that ...

- Retail sales remain healthy.
- Property values are up.
- Mom-and-Pop start-ups declined slightly, but more franchises are opening up.
- More restaurants have opened.
- Attendance at special events and festivals continues to increase.
- Small industries and "location-neutral" businesses moving in.
- More central business districts (CBD) report increases in the number of businesses than urban neighborhood Main Streets, but more neighborhoods report increases in property values.
- The number of housing units in small-town CBDs is increasing faster than in urban neighborhood commercial districts.
- Businesses continue to create online storefronts.

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putting development tools in place to combat sprawling suburban development. These tools benefit downtowns by controlling where and how land is used. Some examples of tools being used include: planning and zoning regulations favoring downtown and infill development, transportation policies that encourage slower traffic movements in downtown districts, caps on retail store sizes in downtown areas to curb large retail superstore development, temporary development restrictions on suburban growth, rehabilitation-friendly building codes, and policies from state agencies which encourage state offices to locate in downtowns.

Indiana Main Street communities in fast-growing areas should look at how these tools might be used to protect their downtown core. State legislation may restrict the use of some tools, so a careful review is in order before implementation.

Selected Websites from Smart Growth Tools for Main Street

National Trust for Historic
Preservation

www.nationaltrust.org/issues/smartgrowth/toolkit/index.html

American Planning Association

www.planning.org

Books on Communities and Sprawl

www.preservationbooks.org

Indiana State Office Location Policies

www.in.gov/idoa

National Trust for Historic Preservation

www.nationaltrust.org

National Main Street Center

www.mainst.org

Planning Commissioners Journal

www.plannersweb.com

Save Our Lands, Save Our Towns

www.celebratepa.com

Smart Growth America

www.smartgrowthamerica.org